

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 COME-00 AGR-20 SWF-02 TRSE-00

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E.O. 11652: N/A

TAGS: EAGR, EFIN, DR

SUBJECT: BALAGUER ANNOUNCES NEW LIVESTOCK DEVELOPMENT
PROGRAM

1. ADDRESSING THE NATION ON RADIO AND TELEVISION EVENING OF AUGUST 1, PRESIDENT BALAGUER ANNOUNCED THE ESTABLISHMENT OF A NEW PROGRAM TO STIMULATE LIVESTOCK PRODUCTION, PARTICULARLY CATTLE AND PIGS. ACCORDING TO THE PRESIDENT, THE PROGRAM IS DESIGNED TO BALANCE THE INTERESTS OF THE STATE AND THOSE OF SOME CATTLE PRODUCERS WHO WANTED TO EXPORT CATTLE TO CUT LOSSES FROM DROUGHT CONDITIONS IN THE EASTERN PART OF THE ISLAND. THE STATE PREVIOUSLY HAD PROHIBITED THE EXPORT OF FEMALE ANIMALS WITH REPRODUCTIVE CAPACITY.

2. BALAGUER MAINTAINED THAT IT IS NOT RPT NOT IN THE INTEREST OF THE COUNTRY TO EXPORT ITS REPRODUCTIVE ANIMALS AND, IN FACT, THE NEED IS TO STIMULATE LIVESTOCK PRODUCTION. IN ORDER TO MEET FINANCIAL AND TECHNICAL REQUIREMENTS OF HIS PROGRAM, BALAGUER SAID THAT 13.7 MILLION PESOS WILL BE RAISED, 11.3 MILLION PESOS FROM AN ISSUE OF TREASURY CERTIFICATES WHICH WILL PAY 5 PERCENT ANNUAL INTEREST, MATURING IN FIVE YEARS. THE CENTRAL BANK WAS CHARGED WITH THE RESPONSIBILITY OF ADMINISTERING THE PROGRAM AND ITS
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FIDE OFFICE OF PROVIDING TECHNICAL ASSISTANCE.

3. WITH THE BASIC OBJECTIVE OF INCREASING CATTLE AND PIG PRODUCTION ON SMALL AND MEDIUM-SIZED FARMS WITH EXCESS PASTURE LANDS, THE PROGRAM CALLS FOR ACCESSIBLE CREDIT AT LOW RATES TO PURCHASE AND UP-GRADE HERDS. BALAGUER ESTIMATES THAT 230 LOANS (170 FOR CATTLE, 60 FOR PIGS) WILL BE MADE UNDER THIS PROGRAM WHICH HAS AN INITIAL LIFE OF TWO YEARS. THE LOANS ARE TO BE CHanneLED THROUGH COMMERCIAL BANKS AND DEVELOPMENT INSTITUTIONS. CATTLE LOANS WILL BE AT 9 PERCENT ANNUAL INTEREST FOR 5-12 YEARS WITH 2-5 YEARS GRACE. PIG LOANS WILL HAVE THE SAME INTEREST RATE FOR A MAXIMUM OF 8 YEARS WITH 1-3 YEARS GRACE.

4. COMMENT: LOCAL BANKING CONTACTS HAVE NOT RECEIVED ANY DETAILS ABOUT THE TREASURY CERTIFICATES OR THE LENDING MECHANISMS. THE CERTIFICATES AT 5 PERCENT WOULD NOT BE ATTRACTIVE UNLESS THEY COULD BE USED TO FREE LEGAL RESERVES AS WAS THE CASE WITH SOME AGRICULTURAL BONDS A FEW YEARS AGO.

5. WE UNDERSTAND THAT THE DROUGHT CONDITIONS IN THE EAST ARE NOT TOO SEVERE OR WIDESPREAD AND DOUBT THAT THERE ARE LARGE NUMBER OF LIVESTOCK OWNERS WHO WANT TO EXPORT THEIR HERDS. IN FACT, IMPORTS OF LIVESTOCK (CATTLE AND PIGS) HAVE BEEN MORE PRONOUNCED OVER THE PAST YEAR OR TWO.

6. SINCE THE ANNOUNCED PROGRAM IS NOT LARGE, IT MAY BE MORE FOR POLITICAL THAN ECONOMIC IMPACT. NEVERTHELESS, IT COMPLIMENTS OUR NEW \$12 MILLION AGRICULTURE SECTOR LOAN.

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